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A New Hope for the Republic

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College of William & Mary - Arts & Sciences

A NEW HOPE FOR THE REPUBLIC

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Richard Smith Chew III

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APPROVAL SHEET

This thesis is submitted in partial fulfillment of the requirements for the degree of

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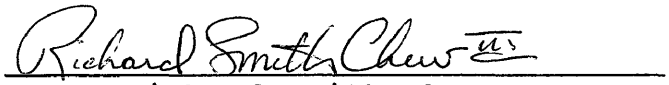

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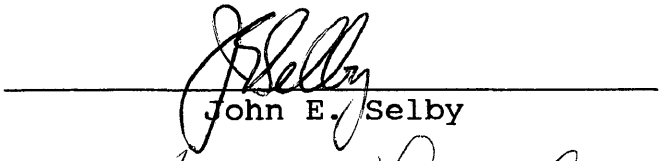

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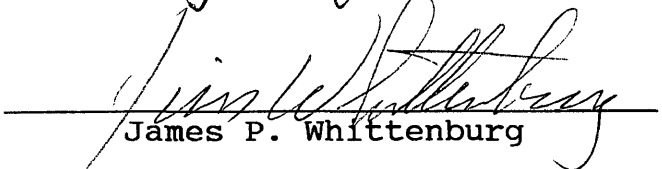

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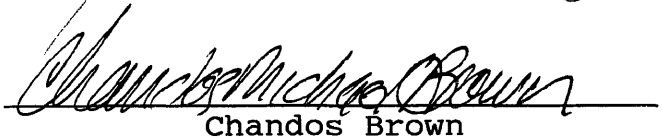

Chandos Brown

For my parents,

Margaret Downey Chew and Richard Smith Chew Jr.

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ABSTRACT

This study illustrates the ideological origins of fair trade in the Virginia Port Bill of 1784. Drafted by James Madison when he was a member of the commerce committee in the Virginia House of Delegates, the Port Bill restricted the trade between Virginia's planters and foreign merchants to five enumerated ports. British merchants enjoyed a monopoly in the tobacco trade before the war, and their unlimited access to the Chesapeake market caused many Virginia planters to fall deeply into debt. After the war, when the British merchants returned to the Chesapeake, Madison wished to prevent further indebtedness by forcing foreign merchants to compete against each other for contracts with planters in legally designated ports.

The Port Bill was not implemented until 1787, and after the ratification of the Federal Constitution in 1788, the law was rendered unconstitutional. While the bill achieved only limited legislative success, the debate over the Port Bill in 1784-1787 provided the earliest definitions of free trade in the American political tradition. The prohibition of mercantile activity in places where trade once flourished could easily be seen as a protectionist policy. However, Madison won support for the bill on the grounds that it promoted free trade. Madison believed the Port Bill provided the necessary legislative action to forcibly create an open port and a free market by insuring competition through equal access. His definition of "free trade" thus outlined a principle that is better understood as "fair trade."

The recognition of fair, rather than free, trade as a fundamental tenet in the emerging ideology of classical liberalism establishes an important principle within American political thought. The realization that American policymakers advocated fair trade in espousing the dogma of "free trade" explains how in the golden age of classical liberalism, the United States maintained protectionist trade policies and high tariff walls. How the Virginia delegates expressed their support for the Port Bill of 1784 thus reveals important insights into the actual meaning and subsequent development of "free trade" in American history.

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A NEW HOPE FOR THE REPUBLIC

CHAPTER ONE

A NEW HOPE FOR THE REPUBLIC

James Madison was disappointed. While John Adams contributed significantly to the revolutionary cause during the war, the publication of his Defence of the Constitutions of Government of the United States of America confirmed Madison's suspicions about Adams's political beliefs. Complaining about the frequent comments "unfriendly to republicanism" throughout the Defence, Madison accused Adams of writing a "mock defence" of the "Republican Constitutions of his Country" and then attacking them with a shameless display of rhetoric and sophistry.[1] Others maligned the Defence as "one of the most deep wrought systems of political deception that ever was penned by the ingenuity of man," and James McClurg jested that Adams's "optics have been too weak to withstand the glass of European courts."[2] Aware of the heated criticism provoked by his work, Adams turned to Benjamin Franklin in 1787, explaining that the Defence "contains my confession of political

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[1]James Madison to Thomas Jefferson, (June 6, 1787), The Papers of Thomas Jefferson, edited by Julian Boyd, (Princeton University Press, Princeton, 1950-), XI, p. 402

[2]James McClurg to James Madison, (August 22, 1787), and the Richmond Virginia Independent Chronicle, (August 15, 1787), both quoted in Charles Warren, The Making of the Constitution, (Boston, Little, Brown and Co., Cambridge, 1947), p. 816-818.

faith, and, if it is heresy, I shall, I suppose, be cast out of communion. But it is the only sense in which I am or ever was a Republican."[3]

The confusion and disagreement among eighteenth-century intellectuals concerning the definition of "republican" has focused the attention of many political historians on the post-revolution period. While most historians of the Revolution accept that "republicanism" provided a defining ideology for the rebellion in the 1770s, a consensus does not exist over whether or not republicanism continued to dominate political thought during the early national period.[4] Those who contend that republicanism did not survive the constitutional convention of 1787 insist that a nineteenth-century version of liberalism was ascendant during the 1790s. The debate over the legacy of the Revolution thus turns on

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[3]John Adams to Benjamin Franklin, (January 27, 1787), The Works of Benjamin Franklin, edited by John Bigelow, (New York, 1904), XI, p. 298-299.

[4]For those who argue that republicanism continued to dominate political life in the early national period, see Lance Banning, The Jeffersonian Persuasion: The Evolution of a Party Ideology, (Cornell University Press, Ithaca, 1978), Forrest MacDonald, The Presidency of Thomas Jefferson, (University of Kansas Press, Lawrence, 1976), and Drew McCoy, The Elusive Republic: Political Economy in Jeffersonian America, (University of North Carolina Press, Chapel Hill, 1980). For those who argue that liberalism superseded republicanism soon after the ratification of the Federal Constitution, see Joyce Appleby, Capitalism and a New Social Order: The Republican Vision of the 1790s, (New York University Press, New York, 1984) and Liberalism and Republicanism in the Historical Imagination, (Harvard University Press, Cambridge, 1992), John Patrick Diggins, The Lost Soul of American Politics: Virtue, Self-Interest, and the Foundations of Liberalism, (New York, 1985), and Isaac Kramnick, "Republican Revisionism Revisited," American Historical Review, LXXXVII (1982), p. 629-664.

the question of the political configuration of the 1790s, and the ideological origins of the American liberal tradition. To build a consensus, we must retrace the origins of the core beliefs of classical liberalism.

Central to the classical liberalism of the nineteenth-century was a belief in "free trade," and the earliest legislative battle over this doctrine in America was the Virginia Port Bill of 1784. While the question of free trade and the direction of United States trade policies during the nineteenth-century were not ultimately decided by the Virginia legislature during the 1780s, the debate over the port bill did provide the earliest definitions of free trade during the formative years of American liberalism. How the Virginia delegates expressed their support for this doctrine in the 1780s reveals important insights into the actual meaning and subsequent development of that doctrine in American history.

The delegates assembled in Richmond in May 1784 enjoyed the early hints of summer, as the smell of cherries and strawberries renewed the spirit of the marketplace. Hickories budded on the distant mountains while peach trees blossomed throughout the commonwealth.[5] A year had passed since the conclusion of the American Revolution. No longer threatened by the destructive force

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[5]Meteorological Journal for Orange County, Virginia, The Papers of James Madison, edited by William Hutchinson and William Rachal, (Univ. of Chicago Press, Chicago, 1962-), VIII, p. 519. Madison began keeping the journal at the urging of Jefferson, who wrote to him on March 16, 1784, "I wish you would keep a diary under the following...(meteorological charts)...It will be an amusement to you and may become useful." (Hutchinson and Rachal, The Papers of James Madison, VIII, p. 16).

of the British armies, many Virginians reflected on the state of the commonwealth. The end of the long and bitter struggle with Great Britain realized the hopes and fears of a revolutionary generation, and the Old Dominion could claim a significant share of the credit for victory. "Virginia furnished the country's most eloquent spokesmen for freedom and equality," a Virginian drafted the Declaration of Independence and another "commanded the Continental Army that won independence" for the colonies. Virginia's tobacco "helped to buy American independence."[6] However, independence remained a hollow reality and an unfulfilled dream for those in the marketplace.

During the war, Virginians believed political independence assured economic independence and control of the commonwealth's commercial destiny. With the cloak of mercantilism lifted from the Chesapeake after the war, planters expected merchants from all of Europe and America to bid up the price of tobacco in the spirit of free competition. The British monopoly on importing consumer goods would thus end, and competition in an open market would determine prices on foreign manufactures. Wartime austerity would yield to commercial prosperity and the promise of a republican society.[7] Mark Lynch, a merchant in Nantes with connections to Philip Mazzei, the Virginia agent in Tuscany during the war, assured James Madison

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[6]Edmund Morgan, American Slavery, American Freedom: The Ordeal of Colonial Virginia, (WW Norton, New York, 1975), p. 6

[7]Drew McCoy, The Elusive Republic: Political Economy in Jeffersonian America, (WW Norton, New York, 1982), p. 76-77.

that "every article necessary in America, can be procured and shipped here [America] on reasonable terms, which I dare say you will experience hereafter."[8]

The problems of post-war readjustment in Virginia dampened the confidence of its leaders in achieving economic independence from the British. The free trade the planters envisioned did not materialize. The Farmers General refused to purchase tobacco directly from Virginians after the close of hostilities, preferring the more familiar business of British mercantile houses.[9] Orders in Council of December 1783 stipulated that American tobacco destined for reexport be admitted and warehoused duty-free in Great Britain.[10] The continuance of the traditional British monopoly on the importation of American tobacco into France thus foiled the plans of Chesapeake planters to introduce direct American trade to Europe's largest market. The slumping export market, combined with a flood of British imports to meet pent up American demand, resulted in depression and economic uncertainty.

This interpretation of Virginia's post-war depression was not accepted by everyone. The Chevalier de la Luzerne, a French

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[8]Mark Lynch to James Madison, (February 15, 1783), Hutchinson and Rachal, The Papers of James Madison, VI, p. 243. Philip Mazzei was the commercial agent and wartime financier for Virginia in Tuscany, 1778-1782.

[9]David Ross and other Virginia merchants to Thomas Jefferson, (October 18, 1785), Boyd, The Papers of Thomas Jefferson, VIII, p. 650-651.

[10]Lewis Gray, History of Agriculture in the Southern United States to 1860, (The Carnegie Institute, Washington, 1933), II, p. 600.

minister to America, rejected claims that British merchants and the Farmers General were to blame for the deteriorating situation, and insisted upon an alternative explanation when he wrote to Congress in September 1783. He explained that the "Americans by admitting too precipitately English vessels in their ports have deprived themselves of a powerful weapon to induce England to a conclusion of the Treaty [of commerce]" on free trade terms.[11] Thus, the Americans authored their own commercial crisis. Allowing mercantile traffic to proceed before diplomats determined the proper terms of that trade compromised the commercial standing of the United States in Europe.[12] The accusation struck a familiar chord with many Virginians.

American diplomats had begun discussions over a treaty of commerce with Britain in 1783, and in May, the "project...[had] been reported by the Secretary [of] foreign affairs" and was placed "in the hands of a committee." The objectives of the American

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[11]Chevalier de la Luzerne to Congress, (September 18, 1783), Journals of the Continental Congress, 1774-1789, edited by Chauncey Ford, (Washington, 1904-1937), XXV, p. 589.

[12]This was especially true in light of the collapse of the Earl of Shelburne's government on February 24, 1783. A week earlier, on February 17, 1783, Shelburne delivered before parliament that "situated as we are between the old world and the new, and between the southern and northern Europe, all that we ought to covet upon the earth is free trade, and fair equality. With more industry, with more enterprise, with more capital than ant other trading nation upon earth, it ought to be our constant cry, let every market be open, let us meet our rivals fairly, and we ask no more." (Cobbett's Parliamentary History of England: From the Norman Conquest in 1066 to the Year 1803, (T.C. Hansard, 1806-1820, 36 volumes), XXIII, cols. 409-410. The new administration did not share Shelburne's enthusiasm and respect for open ports and markets.

envoys included a direct trade between the United States and the West Indies, and "a right of carrying from [the] West Indies to all other parts of the world."[13] The American ministers clearly intended to secure a liberal and free trade with the entire British Empire. However, the diplomats failed to reach an agreement before Thomas Jefferson met with the British minister Mr. Hartley in December 1783. At this meeting, the delegates to the treaty discussions received word that "a vessel arrived in France from Philadelphia bringing intelligence that all our ports were thrown open to British vessels." Soon after, "Mr. Hartley, who wished to establish a liberal system of commerce with us, then went to London hoping to return shortly and renew the commercial discussions." The American ministers predicted even then that it was "doubtful whether he (would) return at all."[14] More than a decade passed before Mr. Hartley's vision for the Atlantic trade would be realized.

With merchants from Glasgow to Bristol crowding into colonial harbors, the Chevalier de la Luzerne's observations appeared

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[13]James Madison to Thomas Jefferson, (May 13, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 39

[14]Thomas Jefferson to Benjamin Harrison, (December 17, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 388-389

difficult to deny.[15] Edmund Randolph observed that "several British vessels have arrived in our rivers: some of which affect to entitle themselves to an entry by distress, and others in right of commerce upon the cessation of hostilities."[16] Edmund Pendleton echoed this remark that "our trade is almost at a stand, many Vessels lying in the Rivers, not yet permitted to trade."[17] James Madison even received a letter from a loyalist merchant residing in London inquiring as to the commercial situation in Virginia following the war. "Give me as particular Account as you can of the Regulations," asked Joseph Chew, "I earnestly wish to know the situation of the Trade in Virginia and the demand for British Goods."[18] By the end of May 1783, Virginia's ports were fully open to British ships, and Randolph deplored "the general ardor after those commodities which public acts have so lately proscribed."

Benjamin Harrison expressed similar concerns to the delegates in Philadelphia in November 1783, wishing that "Congress had entered into some general recommendations for counteracting the

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[15]Some exiled native loyalists returned to Virginia prior to the arrival of the British merchants. The local patriots in Norfolk did not greet them warmly, though their presence was not treated as a British scheme to subvert the economy of Virginia. See Tom Costa, Economic Development and Political Authority; Norfolk, Virginia, Merchant-Magistrates, 1736-1800, (unpubl. PhD. Diss., The College of William and Mary, 1991), p. 280-290

[16]Edmund Randolph to James Madison, (May 9, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 33.

[17]Edmund Pendleton to James Madison, (May 10, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 37.

[18]Joseph Chew to James Madison, (November 6, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 399.

British regulations on trade." He speculated that "perhaps it would not be amiss to prohibit the importation of their manufactures altogether 'till they open their ports to us."[19] Randolph and the Chevalier agreed that Americans squandered their national reputation "in the opinion of those people, who beyond the water have admired our self-denial, by a hunger and thirst after cheese and porter."[20]

The failure to secure a commercial treaty with Great Britain contributed to the post-war depression in the colonies. In the midst of economic dislocation, the return of the British merchants reminded Virginians of the dominance that Glasgow merchants achieved in the tobacco trade before the war. Glasgow achieved its commanding position in the Chesapeake after the British Tobacco Act of 1751 established "a rigid system of controls governing the internal movement of tobacco" in Great Britain. This act placed duties and imposed restrictions on the importation, warehousing, and sale of American-grown tobacco in Great Britain.[21] To insure customers before the Revolution, the Scots provided planters with nearly unlimited credit. During the 1750s, the large Glasgow merchant houses, which benefitted from economies of scale, began

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[19]Benjamin Harrison to the Virginia delegates in Congress, (November 14, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 354.

[20]Edmund Randolph to James Madison, (May 24, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 73.

[21]Jacob Price, "The Rise of Glasgow in the Chesapeake Tobacco Trade, 1707-1775," The William and Mary Quarterly, 3d series, XXI (1954), p. 179-199.

to dominate the Chesapeake trade. By the end of the decade lesser British ports could no longer compete, and only London remained as an alternative to the Firth of Clyde.[22] The French maintained agents in Glasgow and London, and some "Glaswegians made their purchases in America with the French market only in mind."[23] The expanding number of Scots merchants during the 1760s rendered Chesapeake tobacco a speculative enterprise for the Glasgow merchants, and the liberal use of credit encouraged indebtedness and compromised the economic independence of the planters.

This situation exacerbated a chronic problem for Virginia commerce. The highly decentralized river system provided a large number of ports of entry for the trade in tobacco. There were almost as many harbors as plantations, and since the seventeenth century, transactions between foreign merchants and planters occurred almost on the landings of the plantations. In the seventeenth century, "every planter owned a wharf; indeed the strongest reason after fertility of the soil which influenced him in selecting a tract of land was that it fronted on the water

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[22]Jacob Price argues that the institutional structure of the French tobacco market encouraged the extension of credit in Virginia. Thus, the demands of the French market may have encouraged Parliament to pass the Tobacco Act of 1751 to facilitate the creation of a debt cycle. See Jacob Price, "The Economic Growth of the Chesapeake and the European Market, 1697-1775," Journal of Economic History, XXIV, (1964), p. 496-511

[23]Price, "The Rise of Glasgow in the Chesapeake Tobacco Trade, 1707-1775," The William and Mary Quarterly, 3d Series, XXI (1954), p. 191.

highway."[24] The combination of extensive credit and the decentralized river system isolated the planter from the marketplace where merchants would have had to bid up the price of tobacco to win contracts. British dominance suppressed competition, promoting indebtedness and economic dependency for planters.[25] The lack of a commercial center disadvantaged planters who "got in debt to the Merchants who set their own prices," and the return of these merchants threatened to renew the debt cycle in Virginia.[26] The commercial disadvantages that resulted from merchant monopolies angered George Mason. He spared no sympathy against the merchants in a formal protest of the attempt to repeal legislation barring extensive credits. Mason claimed those "who promoted the said Petition [to repeal]" did so "in Order to dispose of their goods at exorbitant Prices," and to continue selling goods

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[24]Philip Alexander Bruce, Economic History of Virginia in the Seventeenth-Century, (MacMillan & Co., New York, 1896), II, esp. p. 524-561. Also see Albert Giesecke, American Commercial Legislation Before 1789, (Burt Franklin, New York, 1910), p. 102.

[25]While Virginia's debt did sore from one million pounds sterling to over two million between 1757 and 1775 as a result of the Scots factors, tobacco process actually rose from 1750-1775, and "income from tobacco per laborer rose more than twice as rapidly after 1750 as before that year." See Allan Kulikoff, Tobacco and Slaves: The Development of Southern Cultures in the Chesapeake, 1680-1800, (Univ. of North Carolina Press for the Institute of Early American History and Culture, Chapel Hill, 1986), esp. p. 119-127.

[26]James Madison to James Monroe, (June 4, 1786), The Papers of James Madison, IX, p. 74

"upon long Credit, on open Accounts."[27]

The lack of a commercial treaty with Great Britain closed the Americans out of both the French and the British mercantile systems, and ruined the possibility of free trade between America and Europe. While some blamed the return of the British merchants for the depression, and others criticized the inaction of the American Congress, or the impatience of the American consumer, all could agree on the commercial consequences for Virginia. The renewal of British dominance and the flood of imports to meet pent up demand threatened to undermine the economic independence of the newly liberated colonies. In July 1784, matters worsened when Spain closed the Mississippi to American navigation and asserted territorial claims over a considerable area between the river and Georgia. The result was foreign influence and exploitation in the West and a disorganized and disunited commercial predicament in the East.

Confronted with these issues, the Virginia legislature selected a new committee of commerce in the Spring of 1784 to settle upon a course of action to lead the state to recovery and toward economic growth. The committee submitted their resolution in less than a month; given the state of Virginia's commerce in 1784, the prompt return was no surprise. On May 28, 1784, the

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[27]"Fairfax County Petition Protesting Repeal of the Act to Prevent Extensive Credits," (June 18, 1783), The Papers of George Mason, 1725-1792, edited by Robert Rutland, (University of North Carolina Press, Chapel Hill, 1970; published for the Institute of Early American History and Culture, Williamsburg), II, p. 785

commerce committee prepared to introduce their plan to the legislature. The delegates resumed their seats late in the session as the turn in the seasons illuminated the assembly hall.[28]

The house, according to the order of the day, resolved itself into a committee of the whole on the state of the commonwealth to hear the report from the committee of commerce. "After sometime spent therein," the Speaker of the House resumed his chair and recognized the representative for the committee. Mr. Tazewell rose and acknowledged the Speaker. Standing in his place among the delegates from every county in Virginia, he lifted the resolution before him, and addressed the house.

"Resolved, that it is the opinion of this committee, that all ships and other vessels trading to this Commonwealth from foreign ports, ought to be restricted from entering certain ports for loading and unloading."[29]

While the commerce committee did not specify the actual details of the measure, the delegates in attendance understood its general intent. The resolution called for the establishment of a few specified ports in Virginia as legal markets for all trade with foreign merchants. Restricting access of foreign merchants to a few towns would centralize economic activities within entrepot areas. The proposal thus risked dividing the consensus over the

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[28]Journal of the House of Delegates of the Commonwealth of Virginia (Thomas w. White, Richmond, 1828; hereafter referred to

moral dimensions of economic life by reshaping the republican system of political economy. Several of the delegates even favored the restriction of all trade to Norfolk alone, a limitation that would have transformed the economy of the entire region.[30] However, the possible expansion of Norfolk or Alexandria into a southern Philadelphia paled in comparison to the ideological implications of restricting trade between planters and merchants. At first glance, the proposed Port Bill of 1784 appeared to sacrifice free and open trade with Europe for protection against the monopolizing tendencies of foreign merchants. For many Revolutionaries, the energetic use of government against "free trade" forfeited republican principles in favor of a new mercantilism.

After completing the address, Mr. Tazewell delivered the resolution to the clerk's table, where it was read once more into the record. James Madison listened as the words he helped to write less than a week before echoed through the assembly hall. Recently returned from the Congress at Philadelphia, Madison provided the group of ten Virginians on the new commerce committee with a focus for their policy. Aware of the growing economic crisis in the republic, Madison recognized that the uncertainty in Virginia mandated unusual action.[31] The return of the English merchants and

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[30]James Madison may be included as one of those who favored the establishment of Norfolk as the only port of entry. See the letter of Edmund Randolph to Thomas Jefferson, (May 15, 1784), Boyd, The Papers of Thomas Jefferson, VII, p. 260-261.

[31]James Madison to Thomas Jefferson, (December 10, 1783), Boyd, The Papers of Thomas Jefferson, VII, p. 377.

Scots factors brought dependence and debt once again to Virginia. The combined effect on tobacco prices of western expansion and British commercial dominance contributed to the need for legislative action against foreign mercantile interests. Merchant dominance over the planters' lives concerned Madison more than any other consideration. He believed the British strategy after the war was an intentional effort to monopolize the Chesapeake trade for the purpose of encouraging debt, dependence and economic ruin. He postulated that "the ready admission she [Great Britain] found into our commerce without paying any price for it has suggested the policy of aiming at the entire benefit of it." [32]

Madison may have been eager to deflect any blame away from Congress for the disastrous course of trade after the war, as he served as a Virginia delegate to Congress in 1783. However, he did have cause beyond simple self-interest to blame the British and not the Americans. Writing from Philadelphia at the time, he believed that "the other nations of Europe seem to have more honorable views towards our commerce, sundry advances having been made to our Ministers on that subject."[33]

Madison believed the Port Bill would solve five fundamental problems in Virginia's economy. First, limiting foreign trade to the enumerated ports forced European merchants to compete for

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[32]James Madison to Thomas Jefferson, (September 20, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 338.

[33]James Madison to Thomas Jefferson, (December 10, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 377.

Virginia's business. Competition discouraged debt and dependency by promoting an open market. Second, Madison believed that concentrating merchants in a few ports would create a seller's market in the short-run. Limiting the access of merchants to Virginia's planters would appreciate the price of tobacco and promised to end the depression of the early 1780s. Continued western expansion threatened to wipe out these short-term gains with a long-term depreciation in the price of tobacco over the following decade. However, Madison believed that the Port Bill's initial upward pressure on prices would anticipate the depreciation from expanding supply, and thus stabilize the market in the long-run. Third, Madison hoped the removal of the debt cycle and the continued profitability of tobacco would support a virtuous yeoman class and insure the viability of a republican political economy in Virginia. Fourth, the elimination of the debt cycle would also solidify the credit position of Virginians, and facilitate the settlement of outstanding debts to foreign creditors in Europe. Finally, Madison hoped to encourage the development of a native class of retailers to replace the Scots factors along the Tidewater.

Madison was convinced that whenever British merchants negotiated directly with an indebted planter, the price of tobacco suffered. In a free market, competition would have appreciated the price to its "natural" level. He observed that while tobacco prices in Virginia in 1784 were high, ranging from 36/hundredweight to 42/hundredweight, the price in Philadelphia and Baltimore was

15/. to 20/. higher on the Virginia staple.[34] He was aware of the difference in prices from his own transactions through Samuel House, who sold tobacco for the Madison family account in Philadelphia. Although he would rather have sold his tobacco in Alexandria, the closest Virginia port, economic necessity required the services of Mr. House.[35]

Madison's personal transactions in Philadelphia highlighted a problem often overlooked by his fellow planters in Virginia. The price of tobacco following the war remained high for some time, but the continuing British dominance robbed Virginia of enormous profits. He could only lament that Virginia's "trade was never more completely monopolised by Great Britain when it was under the direct control of the British Parliament" than it was after the

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[34]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 103. Richard Henry Lee cautioned Madison that the higher prices in Philadelphia were the result of "sinking speculators," and not of European inequity. (RHL to JM, (August 11, 1785), VIII, p. 340). Madison discounted this theory as misinformed. (JM to Ambrose Madison, (December 15, 1785), VIII, p. 443). Furthermore, the price of tobacco was higher, sometimes substantially higher in Virginia than in Maryland during the entire period 1750-1775, when the Glasgow merchants were at their height. (Kulikoff, Tobacco and Slaves, p. 80). Madison does not account for this when he claims the commercial center at Baltimore would necessarily receive competitive prices. Finally, a large part of the reason for the fall in tobacco prices in 1785-1786 was the disastrous contract between Robert Morris and the Farmers General, and not the British merchants. Morris negotiated a three year contract for 20,000 hgd/year from 1785-1788 at 24/. (see Thomas Jefferson to Vergennes, (August 15, 1785), Boyd, The Papers of Thomas Jefferson, VIII, p. 385-393.)

[35]James Madison to Ambrose Madison, (September 8, 1786), Hutchinson and Rachal, The Papers of James Madison, IX, p. 120-121.

war.[36] Unfortunately, "the price of our Staple since the peace is another cause of inattention in the planters to the dark side of our commercial affairs."[37] Madison warned that the presence of the Glasgow merchants would drive the price down, and over the next two years, the fall in the price of tobacco seemed to merit these fears. By Christmas eve 1785, the price reached the break-even point at 20/., and the depression continued in Virginia.[38] The Port Bill promised to end the downward pressure on tobacco prices and alleviate the commonwealth's beleaguered economy.

The expansion to the West also threatened to make the cultivation of tobacco unprofitable for the independent planter in the East. Madison recognized that "it [is] becoming more apparent every day that the richness of the soil and the fitness of the climate on the western waters will in a few years both reduce the price and engross the culture of [tobacco]."[39] As the amount of

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[36]James Madison to James Monroe, (June 21, 1785), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 307

[37]James Madison to Thomas Jefferson, (August 20, 1785), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 344

[38]James Madison to James Madison, Sr., (December 24, 1785), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 454. The break-even point of 20/. was identified by Forrest MacDonald, E Pluribus Unum: The Formation of the American Republic, 1776-1790, (Boston, 1965), p. 70. Madison kept a vigil over the fluctuations in the price of tobacco in this period. See JM to Ambrose Madison, (January 21, 1786), VIII, p. 470; JM to Thomas Jefferson, (January 22, 1786), VIII, p. 481; JM to Thomas Jefferson, (March 18, 1786), VIII, p. 503; JM to James Monroe, (May 12, 1786), IX, p. 50.

[39]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 104.

unsettled land in the trans-Appalachian region was roughly equal to the amount of settled land in the east, he assumed that the population of the country would double.[40] This expansion would double the amount of tobacco produced in America without a concurrent increase in the number of markets for the crop. Since the steady demand "for Tobacco, indigo, rice, hemp, Indian Corn, lumber &c produced by the U.S. for exportation will neither precede or keep pace with their increase, the price of them must naturally sink in favor of those who consume them."[41]

In 1784, Madison calculated that without a commercial center like Baltimore or Philadelphia, the steady increase in settled western lands would depreciate tobacco prices from 35/. to under 20/. within twenty years. This alone did not compromise the long-term profitability of tobacco because prices would remain above the break-even point. However, the renewed British dominance in the Chesapeake after the war had already driven tobacco prices down to 20/. by December 1785. Thus any additional downward pressure on prices from western expansion represented an immediate threat to the profitability of tobacco in the 1780s. The combined effect of western expansion and British dominance on agricultural prices

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[40]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 106-107. The notion of the population doubling was a commonly accepted belief in the late colonial period. See Drew McCoy, "Benjamin Franklin's Vision of a Republican Political Economy for America," The William and Mary Quarterly, 3d series, XXXV (1978), esp. p. 608-610.

[41]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 107

would force Virginians to either abandon tobacco for manufacturing or accept an increasing level of debt to maintain an agricultural economy. However, if ports of entry could be restricted to a limited number of markets, prices would first appreciate to 50/. or 60/. in the 1780s with the decline of British mercantile dominance, and then only fall to 25/. or 30/. from western expansion. While the Port Bill could not prevent a fall in tobacco prices from 1785-1810, by moderating the fall it would maintain profit margins into the next century. The republic would be preserved.[42]

Tobacco also supported an independent yeoman class, which insured the viability of a republican political economy in Virginia. Incorporated from the radical Whig tradition of early eighteenth-century England, the doctrine of "republicanism" stressed the balance between prerogative and liberty as necessary to a stable social order. When governments invested all power in the royal prerogative of the monarch, society quickly fell into tyranny. When governments invested all power in the liberty of the people, society quickly fell into anarchy.[43] In America before the

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[42]Madison believed that western expansion was essential to avoid the erosion of virtue from commercial development. By expanding through space, he hoped to evade economic development through time. However, the continued influence of the merchants threatened to undermine the basis for this expansion. See McCoy, The Elusive Republic, esp. p. 185-259

[43]For a further discussion of republicanism see Richard Price, Observations on the Nature of Civil Liberty, (London, 1776), Bernard Bailyn, The Ideological Origins of the American Revolution, (Harvard University Press, Cambridge, 1967), J.G.A. Pocock, The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition, (Princeton University Press,

war, royal appointments undermined the social and political hierarchy of the colonial elites, and the interference of the Scots threatened the economic sovereignty of the planters. While the Revolution removed the king, it had only exiled the Scots, and in 1783, they had returned.

The accumulation of debts to British merchants violated a basic premise of republicanism. Economic dependency compromised a planter's ability to sacrifice "individual interests to the greater good of the whole."[44] Indebtedness could force a planter to adopt political positions favorable to the commercial desires of the British merchants in exchange for an alleviation of his financial burden. The fear of this kind of corruption prompted the Revolutionaries to designate ownership of property as the agency of liberation. Possession of property meant independence from others for support; independence guaranteed a citizen's ability to pursue the public good, because he was no longer compelled to follow the private interests of those who supported him. The dominance achieved by the British merchants after the war threatened to destabilize the republican economy. Just as "Americans in 1776 were resolved to destroy the capacity of their rulers ever again to determine the ranks of the social order,"

Princeton, 1975), and esp. Gordon Wood, The Creation of the American Republic, 1776-1787, (WW Norton, New York, 1972). For thorough review of the literature on republicanism, see Robert E. Shalhope, "Republicanism and Early American Historiography," The William and Mary Quarterly, 3d Series, XXXIX, (October 1982), p. 334-356.

[44]Gordon Wood, Creation of the American Republic, p. 15, 53

Virginians in 1784 sought to eliminate the power of the British merchants to control their economy.[45]

The credit position of Virginia in Europe presented another problem in the commonwealth's economy. Madison complained that before the war, Scots traders passed "the essential legislation" for Virginia at court days in Williamsburg, when they set tobacco prices, fixed exchange rates, and settled accounts.[46] After the war, Madison was aware that the indebtedness of the planters and "the monopoly [of the Scots] which formerly tyrannized over [Virginia]...left wounds which are not yet healed." Edmund Randolph echoed these fears about American debts to British creditors "if recoverable immediately, may they not endanger us, by the possibility of a relapse into the arms of Great Britain if not by a restoration of dependence, at least by a destructive connection?"[47] Madison agreed that "the numerous debts due from the people, and which...they are immediately liable for" provided the mechanism by which the merchants could regain their control over Virginia in the courts and "may possibly be the instruments for reestablishing their dependence."[48] For this reason, the courts

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[45]Wood, Creation of the American Republic, p. 148.

[46]Marc Egnal and Joseph Ernst, "An Economic Interpretation of the American Revolution," The William and Mary Quarterly, 3d series, XXIX (1972), p. 25-26.

[47]Edmund Randolph to James Madison, (March 29, 1783), Hutchinson and Rachal, The Papers of James Madison, VI, p. 416

[48]James Madison to Edmund Randolph, (May 20, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 62

remained closed in Virginia throughout the 1780s. However, the debate over the opening of the courts provided a parallel discussion to the debate over the Port Bill. While Madison supported the legal address of outstanding debts, he hoped that the issue would not become a chronic problem in Virginia. The opening of the courts would have demonstrated commitment on behalf of the planters to honor their debts to British merchants and at the same time maintain the confidence of foreign lenders in extending future credit to Virginians. To assure that future credit would not produce a second debt cycle, the Port Bill concentrated trade between planters and foreign merchants in specified locations where competition would eliminate British dominance. Both measures, the Port Bill and the proposed reopening of the courts, served to fortify the commercial standing of Virginia before the world. Advocates for the Port Bill hoped to settle the old question of debts and dependency in a respectable way and eliminate what they believed to have been the root cause of the debt cycle. The Port Bill complemented the move to reopen the courts and satisfied the ideological fears of republicans.

Concentrating the export trade at Norfolk also encouraged the development of a native class of retailers to replace the Scots factors along the Tidewater. The factor system undermined Virginia's "human capital." The dominance of Scots factors and English merchants who traded directly with planters inhibited the development of a large mercantile class. The system eliminated competition from independent middlemen and drained the Chesapeake

of its "ablest commercial talents." When a Scots factor became successful, "he thought of returning to Glasgow and becoming a partner in a Virginia house."[49] While the stabilization of the price of tobacco and insurance of independence ranked as the most important aspects of the Port Bill, the division of retailers from importers was crucial to the subsequent development of Virginia commerce. Madison believed this separation represented "the only radical cure for credit to the consumer."[50]

Madison was not alone in blaming Virginia's commercial difficulties on the return of the British merchants. George Mason scrutinized the motives of the British merchants when his son, Thomson Mason, and William Allison tried to establish a snuff factory. He feared "the Attempts of the British Merchants [to ruin] such a Manufacture here." To assist the fledgling industry, "they [Th. Mason and Allison] have presented [a] Petition to the Assembly, for laying a Duty up[on] Snuff imported from Foreign Countrys."[51] Benjamin Harrison described the British merchants as "locusts that are crouding us here as so many emissaries sent to sound out inclinations and to poison the minds of our people." Their ultimate goal was to bring Virginia "back to their old and

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[49]Price, "The Rise of Glasgow in the Chesapeake Tobacco Trade, 1707-1775," The William and Mary Quarterly, 3d Series, XXI (1954), p. 197-198.

[50]James Madison to Thomas Jefferson, (August 20, 1785), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 345

[51]George Mason to William Cabell (May 6, 1783), Rutland, The Papers of George Mason, II, p. 769.

destructive paths."[52] These fears recalled the reasons cited by the House of Delegates in 1777 when they exiled the British merchants. The war had reached a critical stage, and Virginians felt the necessity to remove "all the natives of Great Britain who were partners with, factors, agents, storekeepers, assistant storekeepers, or clerks," for otherwise they would have "frequent opportunities of seducing and corrupting the minds of the people."[53] Richard Henry Lee did not trust the insidious influence of foreign mercantile interests, as "the Spirit of Commerce is a Spirit of Avarice, and whatever the power is given the will certainly follows to monopolize, to engross, and to take every possible advantage."[54] British merchants wish only "for monopoly - And the more especially as we have no compensation to make." Lee "believed that we may dispose them to be reasonable, by a very careful, and considerate restraining of their Trade, in all cases where we shall not injure ourselves more than them by the restraint."[55]

Many suspected a covert plan behind the merchants' activities,

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[52]Benjamin Harrison to the Virginia Delegates in Congress, (September 26, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 359.

[53]Virginia Gazette (Williamsburg), January 3, 1777: quoted in Emory Evans, "Private Indebtedness and the Revolution in Virginia, 1776-1796," The William and Mary Quarterly, 3d series, XXVIII (1971), p. 352

[54]Richard Henry Lee to -, (October 10, 1785), The Letters of Richard Henry Lee, edited James Curtis Ballagh, (DaCapo Press, New York, 1970; reprinted from the original series published 1911-1914), II, p. 389.

[55]Richard Henry Lee to James Madison, (August 11, 1785), Ballagh, The Letters of Richard Henry Lee, II, p. 383.

but Arthur Campbell openly accused the British of a conspiracy. "If my intelligence from a distant Correspondent, is right," Campbell told Madison, "Great Britain from the moment she acknowledged our independence, set about devising means to render it of no avail." The essence of this perfidious plot resided in "what she has already done, by introducing luxury, draining our money, impairing public credit, and destroying public spirit." The threat required the vigilance of every patriot in defending the republic, for one "may discover, that she [Great Britain] will be systematical, in aiming at our destruction."[56]

Establishing a single port at Norfolk would encourage the growth of that city as a major commercial center. Writing in response to a query from Jefferson, George Washington expressed no anxiety over the possibility of a southern Philadelphia arising. He believed "[Commerce] has its advantages and disadvantages, but which of them preponderates is not the question." Washington realized that "from trade our citizens will not be restrained, and therefore it behooves us to place it in the most convenient channels, under proper regulation, freed as much as possible from these vices which luxury, the consequence of wealth and power, naturally introduce."[57] The Port Bill succeeded in the goal of

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[56]Arthur Campbell to James Madison, (October 28, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 383.

[57]George Washington to Thomas Jefferson, (March 29, 1784), The Writings of George Washington from the Original Manuscript Sources, 1745-1799, edited by John Fitzgerald, (Washington, 1938), XXVII, p. 376

regulating Virginia's commerce to Washington's satisfaction, and he supported the measure "with some alterations." He feared that "without it, the Trade thereof I conceive will ever labor and languish."[58]

Jefferson also supported the restrictions and contributed another argument to Madison's defense of the bill. He claimed that limiting trade to Norfolk would "bring to a point the proper subjects of taxation, and reduce the army of taxgatherers almost to a single hand." The isolation of the merchants to a single location in Virginia also enhanced the prospects for the bill. His reasoning closely followed the explanations provided in Notes on the State of Virginia for the superiority of the yeoman farmer. He argued that "the proportion which the aggregate of the other classes of citizens bears in any state to that of the husbandmen, is the proportion of its unsound to its healthy parts, and is a good enough barometer whereby to measure its degree of corruption."[59] The removal of European merchants from interaction with the general public helped to preserve the "healthy parts" of society.

Not all Virginians agreed with Jefferson's arguments. Any defense of the Port Bill that drew attention to its effects upon the collection of taxes undermined support for the measure in the

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[58]George Washington to James Madison,
Fitzgerald, The Writings of George Washington, XXVIII, p. 336

[59]Thomas Jefferson, Notes on the State of Virginia, edited by William Peden, (WW Norton, New York, 1982).

House of Delegates. George Mason, Richard Henry Lee, and other republicans opposed the Port Bill on ideological grounds and out of concern for its effects upon the economic development of Virginia. All agreed that the cycles of debt and dependency as well as the increasingly sour economic condition of the Commonwealth required quick and deliberate action to save the republic, but for Mason and Lee, the Port Bill was not the way to go. The continuing debate over the Port Bill sparked discussion over the nature of free trade and ruptured the republican conception of political economy in favor of a new synthesis.

CHAPTER TWO

THE END OF REPUBLICAN CONSENSUS

After Tazewell introduced the resolution to restrict the access of foreign merchants to Virginia's ports, the proposal quickly generated discontent throughout the commonwealth. The House of Delegates resolved for the legislation in the affirmative on June 17, 1784, by a vote of sixty-four to fifty-eight, but the final draft of the bill included a clause that deferred the execution of the law until June 10, 1786.[1] The delay in the implementation of the Port Bill provided its numerous opponents with the opportunity to diminish support for the measure. The ripples of dissent soon reached the marketplace that summer and provided an uncertain future for Madison's plan to save the republic. Usually people bustling about the streets of Richmond directed their attention to the "weather, the market price of tobacco, and horses for riding, racing, pulling or plowing."[2] By

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[1]JHDV, General Assembly begun at Richmond, May 3, 1784, p. 61; also see William Walker Hening, ed., The Statutes at Large; Being a Collection of All the Laws of Virginia, (Richmond, 1823; reprinted for the Jamestown Foundation, University Press of Virginia, Charlottesville, 1969), XI, p. 402-404

[2]William Fogg to - Fogg, (October 24, 1786), University of Virginia Library: Quoted in Hutchinson and Rachal, The Papers of James Madison, IX, p. 147

August 1784 however, the Port Bill became a focus for political arguments from the local merchant's store to the House of Delegates. Madison recognized the increasing level of public discourse on matters of trade and commented that "the act which produces the most agitation and discussion is that which restrains foreign trade to enumerated ports."[3]

The continuing debate over the Port Bill through 1787 sparked a discussion concerning the proper role for commercial development in a republican society. A consensus on that issue eluded Virginians for most of the decade. The disagreement over the effects of the Port Bill demonstrated how economic concerns shaped republican conceptions of society in a substantially different way from social or political interests. Republicans of all stripes believed in the elimination of mercantilist restraints on commerce to free planters from dependence on merchants. While Madison, Jefferson, and Henry supported republican regulations on trade to preserve public virtue and the economic viability of the planter class, Mason and Lee opposed such regulations as a threat to virtue because they encouraged the development of commercial centers. Advocates for the Port Bill sought to create a native merchant class to save the planters from foreign merchants, while its adversaries believed that any merchant class would cripple the planters and undermine the republican social order.

Geographic considerations forced an increase in the number of

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[3]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 102

ports of entry beyond the single port at Norfolk that Madison favored. During the 1760s, the James and York river basins accounted for over fifteen percent of the tobacco exported from the Chesapeake. By 1784 those rivers contributed less than four percent, and the Piedmont doubled its share to half of the total exports.[4] Jefferson realized that "friends of Petersburg, Richmond, Fredericksburg, and Alexandria may possibly unite to prevent exclusive privileges being given to Norfolk." He believed that "all the country below these which compose one third of the legislature are interested in the prosperity of Norfolk; and all the country above stands indifferent but to the general interest."[5] Madison "made a warm struggle for the establishment of Norfolk and Alexandria" as the only ports of entry, but political necessity forced him to compromise with delegates from elsewhere in Virginia to save the measure.[6] The bill presented to the House on June 9 stipulated that "the ships and other vessels trading to this commonwealth [Virginia] from foreign ports...shall enter, clear out, load and unload, at the following places, to wit: Norfolk and Portsmouth as one port, Bermuda hundred, Tappahanock, York Town,

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[4]Alan Kulikoff, Tobacco and Slaves, p. 157; also see Jacob Price, France and the Chesapeake: A History of the French Tobacco Monopoly, 1764-1791, and of Its Relationship to the British and American Tobacco Trade, (University of Michigan Press, Ann Arbor, 1973), II, chapter 28

[5]Thomas Jefferson to G.K. van Hogendorp, (May 1784), Boyd, The Papers of Thomas Jefferson, VII, p. 215

[6]James Madison to Thomas Jefferson, (July 3, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 93

or Alexandria, and at no other ports or places therein." This provided one port of entry at the mouth of each of the five major rivers. The preamble incorporated Jefferson's concerns, stating that the purpose of the bill was not only to restrict access of foreign merchants to certain ports, but "the revenue arising from commerce would also thereby be more certainly collected."[7]

After the initial bill passed the House in 1784, opposition to Madison's plan involved broader issues than local political requirements. Advocates of the bill argued that free access by merchants in a common marketplace would raise the price of tobacco from the artificially deflated prices under British monopoly. Higher prices meant prosperity for planters, and the opportunity to develop republican virtue within the character of the people. While George Mason agreed that the price of tobacco would rise, he insisted that the additional costs to the planters involved in transporting and warehousing their crops in Norfolk would negate any benefit to gross revenues. As merchants faced the same problems, the price of manufactures would also rise, further eroding the economic benefit to the planter. Mason questioned the General Assembly, "Can imported goods come cheaper to the consumer, or the produce of our lands bear a better price, by being burthened with the double charges of commissions, freight, ensurance, and warehouse rent?" Considering that the weight of these expenses diminished profits, Mason wondered "are not such paradoxes, however

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[7]Hening, Statutes, XI, p. 402-403

artfully disguised, or plausibly explained, sufficient to shock the creed even of the most credulous?"[8]

An even greater concern for Mason was the bill's effect on the distribution of wealth. The costs of transporting tobacco privileged planters in the immediate areas of the enumerated ports. Those along navigable water but further away from the designated ports would be stripped of these natural advantages. Madison recognized the validity of the argument and urged concurrent legislation for internal improvements to Virginia's transportation network. He introduced a resolution for opening roads to market towns in December 1784 to minimize any additional costs to planters in the interior. The assembly did not approve the measure, and even if the house voted in the affirmative, the concession would not have satisfied Madison's opponents.[9] Mason insisted that the Port Bill required additional legislation to restructure land taxes to prevent a shortfall in revenues to the government. While Mason considered "robbing" planters of natural advantages itself an "act of injustice, oppression, and tyranny," the required adjustments to tax laws risked "destroying a system universally approved." The clash of political interests over the issue would result in "general discontent, confusion, anarchy, and perhaps, convulsion

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[8]Protest by "A Private Citizen" against the Port Bill, (November 1786), Rutland, The Papers of George Mason, II, p. 859-862

[9]"Resolution for Opening Roads to Market Towns," (December 1784), Hutchinson and Rachal, Papers of James Madison, VIII, p. 207-208

in the state." He also speculated that the Port Bill would impoverish planters along the Potomac river, as merchants who traded formerly in both Maryland and Virginia would load exclusively in Maryland rather than relocate their trade to Norfolk.[10] Mason realized that the British merchants represented a possible threat to republican virtue and that their presence might encourage a return to subservience under George III. However, he also believed the Port Bill would only accelerate the degenerative process and drive Virginians into the arms of their former king in the wake of economic ruin.

Mason also appealed to the republican notion that the effects of commercial development corrupted virtue. The country opposition in England did not oppose commerce, but the effects they believed resulted from mercantile activity, including commercial wars, land taxes, factions, graft, and debt. Mercantilists argued that merchants represented the most important element in advancing national wealth. Commerce contributed to the general good through the operation of private interests, whose aggregate effect benefitted the public. Joseph Addison recognized that "there are not more useful Members in a Commonwealth than Merchants. They knit Mankind together in a mutual intercourse of good offices, [and] distribute the Gifts of Nature." However, their unregulated enterprises also favored commercial over landed interests, which

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[10]"Protest by a Private Citizen," (November 1786), Rutland, The Papers of George Mason, II, p. 860-862

threatened to undermine the virtue republican ideology presumed.[11] Mason followed this argument and asked "if virtue is the vital principle of a republic, and it cannot long exist, without frugality, probity and strictness of morals; will the manners of populous commercial cities be favorable to the principles of our free government?"[12] The argument hinged on the evolutionary theory of social development advanced by Montesqieu and fully articulated by Adam Smith. Smith identified four stages of society: hunting, pasturage, agriculture, and commerce. As social systems matured, nations followed a natural pattern of change from one stage to the next. Eighteenth-century theorists associated the third, or agricultural stage, with American society, and the final commercial stage with Great Britain. The development of a fully commercial society was inevitable in America under this model, but republicans hoped to prolong the agricultural stage to avoid as long as possible the corruption of virtue.[13]

John Brown's manuscript, "An Estimate of the Manners and Principles of the Times," typified republican attitudes towards commercialism. Brown found that the middle stages of development promoted convenience, arts, science, equality of the laws, and a

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[11]Cathy Matson and Peter Onuf, A Union of Interests: Political and Economic Thought in Revolutionary America, (University of Kansas Press, Lawrence, 1990), p. 17-20

[12]"Protest by a Private Citizen," (November 1786), Rutland, The Papers of George Mason, II, p. 862

[13]See the discussion in McCoy's The Elusive Republic, esp. p. 18-24

diffusion of the material prosperity. Agriculture allowed the cultivation of virtue which maintained freedom. Commercial society bred "superfluity and vast wealth, promoting avarice, gross luxury, and effeminacy among the higher ranks of men."[14] Progress was a double-edged sword, intrinsically linked to the decay of society. Republicans thus denounced urbanization as symptomatic of a corrupt and withering state, and Mason believed that the Port Bill precipitated the introduction of commercial forms. While the final draft incorporated five locations as ports of entry instead of a single commercial center at Norfolk, even this concession ceded ground in the struggle to contain corruption. Mason urged the delegates to consider that people are "more miserable and contemptible in the last, than in the early and middle stages" of evolution. "And is it not safer and wiser to leave things to the natural progress of time, than to hasten them, prematurely?"[15]

Madison believed that restricting the access of foreign merchants was the only way to halt an explosion of commercial development through capital investments. This solution appeared unsound to Mason, who believed the consequent development of commercial centers, however few in number, created the same forces that Madison designed the Port Bill to eliminate. The model republican society represented the "idealization of a traditional, static, agricultural economy in which freeholders did not depend

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[14]Drew McCoy, The Elusive Republic, p. 33

[15]"Protest by a Private Citizen," Rutland, The Papers of George Mason, II, p. 862-863

on credit at interest or risk their property in speculative enterprises." Republicans recognized that "the lasting prosperity of the landed interest depends upon foreign commerce," but it appeared to Mason that many of his countrymen were prepared to elevate commerce beyond a complementary role and into an independent economic force divorced from the landed interests. At best, this move would sacrifice the patient to cure the disease, and might even encourage the growth of manufacturing over pasturage.[16]

Madison did not ease these fears. He complained to James Monroe that "it is difficult notwithstanding to make them [Virginians] sensible of the utility of establishing a Philadelphia or a Baltimore among ourselves, as one indispensable step towards relief."[17] What appeared to Madison as the means to economic growth appeared to Richard Henry Lee and other republicans as the sure route to social decline. While Madison claimed that his intentions centered on the preservation of the landed interests, Lee and Mason recognized that the Port Bill threatened the traditional social order in favor of a commercial society.[18] Richard Henry Lee voiced

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[16]Matson and Onuf, A Union Of Interests, p. 13-17

[17]James Madison to James Monroe, (June 21, 1785), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 307

[18]Drew McCoy argued in The Elusive Republic that, like Jefferson, Madison defended the interests of the landed aristocracy into the nineteenth century. The Louisiana Purchase and the War of 1812 are thus manifestations of the attempt to preserve the landed order. This interpretation distances Madison from his former association with Hamilton accorded by previous historians. However, given the positions taken over the Port Bill controversy, it is not surprising how Lee and others could have seen Madison as

his opposition to the free reign of commercial development during the war, and it seemed that Madison sought to perpetuate that crisis. In 1779, Lee commented to Mason that "the inundation of money appears to have overflowed virtue, and I fear will bury the liberty of America in the same grave...the demon of avarice, extortion, and fortune-making seizes all ranks."[19] Establish a commercial center at Norfolk and others along each of the rivers, and before long Virginia would resemble Holland, "an immense heap of Mammon, where every weakness prevails consequent upon excessive wealth."[20] Mason agreed with the bleak prognosis, as Holland "is well known to be a republic," yet "it has arisen to uncommon power and wealth."[21] He believed consolidation of power in the stadtholder in Holland augmented the power of the commercial interests, destroying any virtue remaining in the state. While Madison did not propose the ascendancy of the merchants to political dominance, the creation of a southern Philadelphia would augment the influence of the mercantile interests within the commonwealth by consolidating their power in the Chesapeake.

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a promoter of the same agenda Hamilton championed.

[19]Richard Henry Lee to George Mason, (June 9, 1779), Rutland, The Papers of George Mason, II, p. 513-514

[20]Richard Henry Lee to Thomas McKean, (August 25, 1781), Ballagh, The Letters of Richard Henry Lee, II, p. 247-248

[21]Debates and other Proceedings of the Convention of Virginia, Convened at Richmond, on Monday the 2d of June 1788..., (Petersburg, 1788; 2d edition, Richmond, 1805 by Ritchie & Worsley and Augustine Davis), Special Collections, Swem Library, The College of William and Mary, p. 194

Without enumerated ports of entry, merchants would scatter across the state, and their influence could be diffused. Limiting the economic opportunities of the British merchants to individual interaction preserved their complimentary role in the tobacco trade. Concentration of their resources in enumerated ports risked the development of capital markets and speculation.

While the social consequences of the Port Bill worried Mason more than any other consideration, it is mistake to assume that this opposition represented the majority opinion of those in dissent. The most vehement and unified opposition to Madison's plan originated in northern Virginia, and throughout the 1780s, planters along the northern neck were unceasing in their complaints to the legislature over its economic repercussions.[22] The most pressing argument against the Port Bill was its limitations on the doctrine of free trade. The continued presence of restraints upon the free flow of commercial trade bothered Richard Henry Lee, who "grievously...lament[ed] that this is fully and fatally the case in our unfortunate country." Such restrictions only caused hardship and inequality, as "the free nature and genius of commerce abhors and shuns restraint." He believed "that in young commercial states, to embarrass Trade with heavy imposts or other clogs, is

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[22]Dissent also concentrated around the immediate area of Norfolk's rival ports. See W. Augustus Low, Virginia in the Critical Period, 1783-1789, (unpubl. PhD. diss., University of Iowa, 1941), p. 146 and map VI, p. 215

effectually to demolish it."[23] Lee's protests aimed primarily at the attempts by the Congress at Philadelphia to implement an impost tax on imported goods, but the ideological opposition carried over to the debate on the Port Bill. Abandoning restraint as a solution to Virginia's commercial difficulties would place trade "upon more liberal principles," and allow commerce to be "less shackled than it is."[24] Restricting foreign merchants embarrassed the commercial relations between Virginia and Europe and substituted the domination of British vessels for those of New England traders.[25]

Madison recognized that self-interest motivated the ideological commitment to free trade on the part of planters along the northern neck. He accused the Lees and Masons of wishing to gain advantages from "large ships coming up and lying at their usual stations in the Rivers," and using free trade as a political tool to convince other Virginians that "trade ought in all cases to be left to regulate itself."[26] This strategy maintained the status quo where the Lees and Masons profited from economies of scale. Clearly a Scots merchant would be willing to give a great planter a better price than he would a small planter, because the

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[23]Richard Henry Lee to James Monroe, (January 5, 1784), Ballagh, The Letters of Richard Henry Lee, II, p. 289

[24]Richard Henry Lee to Thomas Jefferson, (May 16, 1785), Ballagh, The Letters of Richard Henry Lee, II, p. 358

[25]Richard Henry Lee to John Jay, (September 11, 1785), Ballagh, The Letters of Richard Henry Lee, II, p. 389

[26]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 102

crop from a large plantation could fill a greater portion of the hull in a merchant ship. These deals dramatically reduced a captain's turn-around time, and while the merchant lost some gross revenues from the higher price, the diminished operating costs increased the net return and thus improved profit margins. Madison considered it improbable that the great planters along the northern neck would support the measure. He commented that "should it [the Port Bill] escape...it will be owing to a few striking and undeniable facts." The price on tobacco was high immediately following the war, however "this will not last if debt outstrips [the] planter."[27] Those most likely to fall victim to the price deflation were small planters upon whose support Madison's plan to save the republic depended. The grand purpose behind the scheme concerned the extension of the republican form of political economy over both time and space. While western expansion promised the creation of a new yeomen class in Kentucky, the Port Bill guaranteed the maintenance of the yeomen class in Virginia. The unenlightened self-interest of the northern neck elites disrupted the cultivation of virtue on the farms of America.

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[27]James Madison to Thomas Jefferson, (August 20, 1784), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 103

CHAPTER THREE

THE PRINCIPLE OF FAIR TRADE

Many historians have discussed the transformation of political life in America from colonial subservience to the emergence of a democratic society following the Revolution.[1] While there is some variation among scholars on the way this change occurred, a consensus exists that after the Revolution, classical liberalism slowly emerged as the dominant theme in American political thought.[2] Almost from its inception, according to one historian, liberalism "has been plural and diverse," encompassing a broad ideological spectrum. While the basis for many liberal causes varied "both in political positions and in conceptual underpinnings," a set of fundamental beliefs provided commonality

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[1]See J. Franklin Jameson, The American Revolution Considered as a Social Movement, (Princeton University Press, New York, 1926), Daniel Boorstin, The Genius of American Politics, (University of Chicago Press, Chicago, 1953), Louis Hartz, The Liberal Tradition in America, (Harcourt, Brace, and World, New York, 1955), and Gordon Wood, The Radicalism of the American Revolution, (Alfred A. Knopf, New York, 1992).

[2]See Ralph Lerner, "Commerce and Character: The Anglo-American as New-Model Man," The William and Mary Quarterly, 3d Series, XXXVI (January 1979), p. 3-27, Joyce Appleby, Capitalism and a New Social Order, The Republican Vision of the 1790s, (New York University Press, New York, 1984), and esp. Cathy Matson and Peter Onuf, A Union of Interests: Political and Economic Thought in Revolutionary America, (University of Kansas Press, Lawrence, 1990)

within this diversity. The doctrine of "free trade" was widely accepted as one of these core beliefs.[3]

Accepting "free trade" as a fundamental tenet of classical liberalism confronts the student of American history with an interesting problem. Throughout most of its colonial period, America remained under the mercantilist system of the British, far removed from free trade. As liberalism slowly transformed American political ideology in the nineteenth century, commercial laws should have conformed to this doctrine. However, the United States maintained strongly protectionist policies during the balance of its early national period. Almost immediately following the Revolution, several legislatures favored considerable restrictions on trade with the British, and some even desired these same restraints on all foreign trade. In 1783, Benjamin Harrison wrote to the Virginia delegation in Philadelphia and "enclosed the copy of an act of the [Virginia] general assembly to authorize the united states in Congress to adopt certain regulations respecting British trade."[4] Joseph Jones even remarked in a letter to Thomas Jefferson on "the unamity and spirit [with] which the legislature passed" the act.[5]

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[3]J. G. Merquoir, Liberalism, Old and New, (Twayne's Studies in Intellectual and Cultural History, Boston, 1991).

[4]Benjamin Harrison to the Virginia Delegates in Congress, (December 26, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 421

[5]Joseph Jones to Thomas Jefferson, (December 29, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 428

If liberalism was ascendant during the late eighteenth and early nineteenth centuries, why did "free trade" fare so poorly? Were the many notable liberal champions of free trade during the nineteenth century among the nation's greatest hypocrites, espousing the rhetoric of one dogma and then voting for policies that directly contradicted their supposedly lofty principles? It seems unlikely that political elites would need or even want to ferment ideas about open ports and "free goods" if their real purpose was to restrict trade and protect markets. A more plausible interpretation of the apparent distance between rhetoric and reality argues for a redefinition of the terms "liberal" and "free trade." Instead of accepting "free trade" as the set of economic principles outlined by David Ricardo, and then trying to square those principles with the policy decisions of American liberals during the antebellum period, a more fruitful analysis would focus on the development of the idea of free trade within American political culture. The earliest debates over American free trade policies occurred in Virginia during the 1780s, and the term acquired meaning long before Ricardo published his classic Principles of Political Economy and Taxation in 1817. Thus, it should not be surprising that historians find it difficult to square U.S. trade policies with Ricardian models of international commerce. In leaving aside Ricardian theory, a new definition of "free trade" emerges from the policy debate over the Virginia Port Bill of 1784.

The restriction of commercial exchange between foreign

merchants and Virginia planters to enumerated ports certainly limited market access. The prohibition of mercantile activity in places where commerce once flourished also represented a restraint on the freedom of Virginians to trade with foreign merchants. Considering these effects, the Port Bill could easily be interpreted as an anti-free trade measure. In defense of the bill, James Madison even contended that the unrestricted ability of foreign merchants to trade in Virginia gave rise to the cycles of debt and dependence which threatened to cripple the economy of the Old Dominion. For many of the Port Bill's opponents, who defined "free trade" as unrestricted access to markets, Madison had abandoned the faith. As far as they were concerned, Madison argued that the unrestricted access enjoyed by foreign merchants after the war caused Virginia's commercial difficulties, and the Port Bill would solve the problem by severely limiting free trade.

The restrictions on commerce troubled the delegates assembled in Richmond. Richard Henry Lee resisted the Port Bill, as well as Madison's later attempts to institute regulations on trade at the federal level, because Lee feared such restrictions would lead to the dominance of the New England merchants.[6] If dependence on one group of merchants gave rise to Virginia's commercial difficulties, Lee wondered how replacing the British with New England merchants solved anything. He insisted that "the free nature and genius of commerce abhors and shuns restraint, and that in young commercial

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[6]Richard Henry Lee to John Jay, (September 11, 1785), Ballagh, The Letters of Richard Henry Lee, II, p. 389

states, to embarrass Trade with heavy imports or clogs, is effectually to demolish it."[7] Allow trade to continue unrestricted, and "the free nature and genius of commerce" would create a competitive market between British, French, New England, and other merchants.

To encourage competitiveness, Lee hoped that "Congress has seen the propriety of cultivating with assiduity the courts of Berlin and Petersburg. The Emperor's subjects are certainly capable of being benefitted by a trade immediately with North America."[8] Already the treaty of commerce made with the French "rests upon the liberal ground of fair equality in every part," and Lee also concluded that the perceived British dominance resulted from Virginia's unwillingness to repeal "her laws that impede the recovery of British debts."[9] Instead of eliminating free trade, Lee believed that, if Virginia paid her debts, "the free nature and genius of commerce" would even benefit their trade with the British. After the legislature passed the Port Bill, Lee complained to Jefferson that "if trade were put upon more liberal principles and [be] less shackled than it is," the benefits of

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[7]Richard Henry Lee to James Monroe, (January 5, 1784), Ballagh, The Letters of Richard Henry Lee, II, p. 289

[8]Richard Henry Lee to Thomas McKean, (August 25, 1781), Ballagh, The Letters of Richard Henry Lee, II, p. 247-248

[9]Richard Henry Lee to Patrick Henry, (February 28, 1779), Ballagh, The Letters of Richard Henry Lee, II, p. 36; Richard Henry Lee to James Madison, (November 20, 1784), Ballagh, The Letters of Richard Henry Lee, II, p. 299

commerce might be diffused throughout society.[10]

Jefferson recognized that "if England can be prevailed on to establish a liberal system of commerce, other nations will do so too."[11] Lee's concept of "free trade" represented the ideal for Madison as well, "because the wider...our ports be opened and the more extensive the privileges of all competitors in our Commerce, the more likely we shall be to buy at cheap and sell at profitable rates."[12] Advocates for the Port Bill thus supported the ideology of "free trade," or at least the benefits of reducing restrictions on trade to encourage market forces to regulate commerce between foreign merchants and Virginia planters. However, opponents of the bill wondered how their colleagues could reconcile these conflicting positions. If Madison and Jefferson supported free trade, how could they also support a measure that denied access to foreign merchants in all places except the five enumerated ports? Indeed, Madison claimed he supported free trade and favored the limitation of foreign commerce to a single port at Norfolk. A cursory examination of their views seems to reveal a contradiction. However, many of the Port Bill's advocates saw no conflict between the doctrine of "free trade," and their support of legal restrictions on mercantile access. Madison and Jefferson even

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[10]Richard Henry Lee to Thomas Jefferson, (May 16, 1785), Ballagh, The Letters of Richard Henry Lee, II, p. 358

[11]Thomas Jefferson to Edmund Pendleton, (December 16, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 386-387

[12]James Madison to Edmund Randolph, (May 20, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 59-61

believed the Port Bill was necessary to establish free trade in Virginia.

While unrestricted access to Virginia's markets was desirable, Madison and Jefferson found this policy untenable in the 1780s. Dominance by the British in America's markets precluded such an arrangement. Jefferson complained "that were it certain we could be brought to act as one united nation she [Great Britain] would make extensive concessions, but under present appearances she has no inducement to this as she is not afraid of retaliation."[13] Once Britain secured its position in the Chesapeake, Virginia's markets could no longer be considered "free" because one group of merchants dominated the trade. No legal restrictions barred other merchants from entering the market, but the return of the Scots factors and other British merchants had returned Virginia to its prewar cycles of debt and dependence. This eliminated opportunities for other merchants to compete for contracts with planters whose outputs were already committed to British creditors. George Mason recognized that "the Desire of the British Merchants to reinstate themselves in their Trade here, will probably prevent their pressing their Debtors." However, Madison feared the threat of such action provided the British with enough economic leverage to eliminate competitors.[14] For these reasons Madison complained that "our trade

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[13]Thomas Jefferson to Edmund Pendleton, (December 16, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 386-387

[14]George Mason to Patrick Henry, (May 6, 1783), Rutland, The Papers of George Mason, II, p. 771

was never more completely monopolised by Great Britain...than it is at this moment," and under these circumstances, he considered the unrestricted access of foreign merchants to Virginia's ports as detrimental to the ideology of "free trade."[15] The unchecked admission of the British after 1783 and the continued lack of regulations on trade produced a closed system dominated by the British instead of the competitive market envisioned by Lee.

Madison agreed with Lee's position that Virginia's commercial policies needed to encourage competition and create "free markets." Lee endorsed "free access" in an effort to establish a liberal system of commerce where governments did not favor certain groups over others. He feared that restrictions and regulations discouraged competition and promoted closed markets which elevated particular individuals to positions of dominance. Lee advocated the unrestricted admission of foreign merchants to guarantee free access and thus to insure "free trade." Madison's defense of the Port Bill established an important distinction for his definition of "free trade." For Madison, any policy that inhibited free market competition inhibited free trade. He believed that free trade suffered whenever a policy allowed one group to achieve dominance within a market, and in the 1780s, unrestricted or free access permitted the British to secure a dominant position in the Chesapeake. To sustain "free trade," Virginia needed to insure "equal access," not "free access," and the Port Bill accomplished

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[15]James Madison to James Monroe, (June 21, 1785), Hutchinson and Rachal, The Papers of James Madison, VIII, p. 307

this goal by first restricting foreign commerce to enumerated ports, and then encouraging the development of a native merchant class.

The final clause of the Port Bill "specifically encouraged the development of native seaman," and for this reason some have interpreted the Port Bill as a "classic mercantilist measure."[16] However, this aspect of the law occupies a minor clause and was not a matter of considerable interest to either its author or its most faithful advocates. Instead of a mercantilist measure, proponents of the Port Bill saw the creation of a native class of seamen as the only way to establish a competitive trade between New England, British and Virginian merchants. Rather than exclude British in favor of American merchants to create a closed market, the Port Bill limited the British to promote an open market through balanced trade. To attain a balance among the merchants from Great Britain, New England, and Virginia, the bill "specifically encouraged the development of native seamen." In contrast, the original British navigation acts, a "classic mercantilist measure," prohibited Dutch merchants from trading in any colonial port. The Navigation Acts removed Dutch dominance from the region and insured a British monopoly of the trans-Atlantic trade. While the Port Bill limited British dominance of the Chesapeake, it also encouraged competition between all merchants, foreign and American. Mercantilism called for the direction of the economy by the state

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[16]Drew McCoy, "The Port Bill of 1784," The Virginia Magazine of History and Biography, LXXXIII (July 1975), p. 293

for the interests of the merchants; the Port Bill provided direction of the economy by the state for the protection of the planters and the interests of the consumer. The Port Bill should thus be interpreted as an attempt to create fair trade by eliminating debt and dependence and not as a "classic mercantilist measure." If the advocates of the Port Bill intended to create a new set of navigation acts, it is unlikely that the measure could have passed the House at all. At the ratifying convention for the Federal Constitution in 1788, Governor Edmund Randolph, who did not support the Port Bill, remarked that "[England's] success in commerce is generally ascribed to her navigation act. Virginia would not, encumbered as she is, agree to have such an act."[17] At the time Randolph made the remark, Virginia authorities had restricted the access of foreign merchants to enumerated ports for nearly two years.

Madison believed the Port Bill provided the necessary legislative action to forcibly create an open port and a free market by insuring competition through equal access. Restriction of market access appeared to some as a protectionist measure, but Madison asserted it provided the only feasible way to maintain a "free market." Madison argued the measure supported "free trade" because it insured free market competition. Restrictions on trade

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[17]Debates and other Proceedings of the Convention of Virginia, Convened at Richmond, on Monday the 2d of June, 1788..., (Petersburg, 1788; 2d edition, Richmond, 1805 by Ritchie & Worsley and Augustine Davis), Special Collections, Swem Library, The College of William and Mary, p. 66

and the limitation of access do not necessarily result in restrictions upon the principle of "free trade." "It is possible that experience may never recommend an exercise of this right, nor do my own sentiments favor in general, any restrictions or preferences in matters of commerce," but he claimed that a need for government action did arise in Virginia after the war.[18] The Port Bill restricted access, yet upheld the principle of "free trade" without employing the duties and regulations characteristic of the British mercantile system. The removal of the Scots factors prevented a return to the prewar cycles of debt and dependency, and commercial transactions with foreign merchants could no longer interfere with the virtuous pursuit of the public good within a republican society.

Madison's definition of "free trade" focused the debate on the access of foreign merchants, and clearly favored equality at the expense of freedom. An absence of legal regulations on commerce provides individual merchants and planters with freedom to operate within the market, until one group of merchants acquires an "unfair" advantage and excludes others from that market. Unrestricted access produced commercial domination, not free trade. The presence of legal restrictions on commerce limits the freedom of individual planters or merchants to participate in the market. Government regulations that insure equal opportunity and access to every individual who wishes to enter the market encourage

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[18]James Madison to Edmund Randolph, (May 20, 1783), Hutchinson and Rachal, The Papers of James Madison, VII, p. 61

competition and thus support free trade. In the case of Virginia after the war, such measures became necessary to establishing a free market.

While most of the delegates on either side of the debate over the Port Bill supported either Lee's or Madison's position on "free trade," a protectionist minority existed within the legislature as well. Benjamin Harrison resented the continuation of British commercial dominance after the war and recommended that "perhaps it would not be amiss to prohibit the import of their manufactures altogether 'till they open their ports to us." In late 1783 he believed the Virginia delegates "disposed to adopt any measures that the other states may be willing to come into to bring down the British."[19] Harrison's proposals even hinted at the possible institution of an American navigation act when he suggested that Congress prohibit "West India commodities except when brought by our own vessels."[20]

Madison's conceptual treatment of "free trade" established an important principle within American political thought. While classical liberalism did emerge as an influential ideological system in the nineteenth century, American liberals did not insist upon an absolute or traditional interpretation of "free trade." For Madison, trade could not be free unless it supported market

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[19]Benjamin Harrison to the Virginia Delegates in Congress, (November 14, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 354

[20]Benjamin Harrison to the Virginia Delegates in Congress, (October 3, 1783), Boyd, The Papers of Thomas Jefferson, VI, p. 366

competition. His position thus outlined a principle that is better understood as "fair trade." Armed with this new principle, many nineteenth-century American policymakers supported protective tariffs while also arguing for the cause of liberalism. Accepting these individuals as "fair traders" in the tradition of James Madison, their positions on the tariff appear less opportunistic and fully within the American liberal tradition. Emily Rosenberg has already accounted for this principle in the minds of American liberals during the Progressive era. Rosenberg observed that "in practice, the faith in liberal rules of economic exchange had an important qualification...Those who favored protective tariffs on foreign goods expressed their liberalism in terms of equal access, or the open door." These progressives did not abandon liberal goals in favor of protectionism, but continued the legacy of fair trade established in the 1780s. "For much of the twentieth century, both low-tariff and protectionist interests agreed that equal access for trade and investment, rather than the absolute doctrine of free trade, provided the fundamental ingredient of a liberal order."[21]

The recognition of fair, rather than free, trade as a fundamental tenet of classical liberalism establishes an important analytical tool and provides an antecedent in the early national period for America's open door policies. Understanding Madison's

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[21]Emily Rosenberg, Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945, (Hill and Wang, New York, 1982), esp. p. 3-37

arguments for free trade through government restrictions also bridges the gap between the doctrines of liberal developmentalism and the traditionally high tariff barriers enacted after 1816. Rosenberg astutely observed that "liberal protectionists" in the late nineteenth century believed "nations...had the right to use tariffs to develop their own special endowments, as long as the duties did not discriminate in favor of certain trading partners and create privileged spheres of influence." While Madison's arguments for the Port Bill never reached this level of sophistication, the beginnings of "liberal protectionism," or "fair trade" are clearly in evidence.

Whether or not the Port Bill would have stimulated Virginia's economy and maintained the profitability of tobacco into the next century will never be known. While the Port Bill took effect on June 10, 1786, the ratification of the Federal Constitution by Virginia in 1788 superseded the Virginia law's provisions for regulating interstate commerce. Even if the enumeration of ports continued after 1788, its effects would have been marginal after the invention of the cotton gin. Within a decade, cotton surpassed tobacco as the major cash crop for the commonwealth, and the urgency to maintain profit margins on tobacco diminished. Ironically, the most visible effect of the Port Bill between 1786-1788 was an increase in tariff revenues, although Madison claimed that the bill produced the intended effect of raising the price of tobacco from 20/. to 25/. within a few months of its implementation. However, none of his other four concerns met with

any success during the bill's brief life.[22] Despite this limited legislative success, the debate over the Port Bill in the 1780s provided a crucial stage in the development of classical liberalism. Madison's argument for competition and equality as the key measures of free trade established the ideological origins in America for the principle of "fair trade," and contributed to the evolution from Republican virtue to Liberal progress.

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[22]James Madison to Thomas Jefferson, (December 4, 1786), Hutchinson and Rachal, The Papers of James Madison, IX, p. 192

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